

VULCAN INTERNATIONAL CORP  
Form 10-Q  
July 29, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

( X )

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

( )

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from        to

Commission File Number 1-10219

**VULCAN INTERNATIONAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

31-0810265

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification Number)

**300 Delaware Avenue, Suite 1704, Wilmington, Delaware 19801**

(Address of principal executive offices, including Zip Code)

**(302) 427-5804**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of the issuer's common stock, without par value, as of June 30, 2005 was 977,707 shares.

**VULCAN INTERNATIONAL CORPORATION**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

**VULCAN INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2005 (Unaudited)	December 31, 2004
<b>- ASSETS -</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,106,452	1,118,621
Marketable securities (at fair market value)	13,863,378	14,267,144
Accounts receivable	719,672	687,531
Inventories	261,189	533,433
Prepaid expense	49,119	51,564
Refundable federal income tax	11,425	120,442
<b>TOTAL CURRENT ASSETS</b>	<b>16,011,235</b>	<b>16,778,735</b>
 <b>PROPERTY, PLANT AND EQUIPMENT</b>		
<b>- at cost</b>	<b>15,375,603</b>	<b>11,942,898</b>
Less - Accumulated depreciation and depletion	10,365,745	10,159,627
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>5,009,858</b>	<b>1,783,271</b>
 <b>OTHER ASSETS:</b>		
Marketable securities (at fair market value)	58,770,519	62,395,502
Deferred charges and other	5,951,665	5,823,574
<b>TOTAL OTHER ASSETS</b>	<b>64,722,184</b>	<b>68,219,076</b>
 <b>TOTAL ASSETS</b>	<b>\$ 85,743,277</b>	<b>86,781,082</b>

**- LIABILITIES AND  
SHAREHOLDERS' EQUITY -****CURRENT LIABILITIES:**

Notes payable	\$ 3,200,000	225,000
Deferred income tax	2,684,366	3,044,309
Other	1,536,924	1,345,168
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,421,290</b>	<b>4,614,477</b>

**OTHER LIABILITIES:**

Deferred income tax	19,932,215	21,166,328
Minority interest in partnerships	12,789	12,871
Other	32,120	32,120
<b>TOTAL OTHER LIABILITIES</b>	<b>19,977,124</b>	<b>21,211,319</b>

**COMMITMENTS AND  
CONTINGENCIES**

-

-

**SHAREHOLDERS' EQUITY**

Capital stock	249,939	249,939
Additional paid-in capital	8,381,445	8,381,445
Retained earnings	33,414,708	33,081,102
Accumulated other comprehensive income	43,877,696	46,536,669
	85,923,788	88,249,155
Less-Common stock in treasury, at cost	27,578,925	27,293,869
<b>TOTAL SHAREHOLDERS EQUITY</b>	58,344,863	60,955,286
<b>TOTAL LIABILITIES AND</b>		
<b>SHAREHOLDERS EQUITY</b>	\$ 85,743,277	86,781,082

The accompanying notes to consolidated financial statements are an integral part of these statements.



**VULCAN INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES:</b>				
Rubber and foam products sales	\$ 2,132,279	4,468,356	1,025,190	2,068,734
Timber sales	215,459	226,517	63,527	93,026
Commerical real estate operations	317,162	211,975	174,391	107,247
TOTAL REVENUES	2,664,900	4,906,848	1,263,108	2,269,007
<b>COST AND EXPENSES:</b>				
Cost of sales and real estate operations	2,047,305	3,677,489	950,737	1,694,660
Operating expenses	609,940	640,233	295,460	312,141
General and administrative	1,016,435	972,610	554,915	527,996
Interest expense	69,837	25,268	35,660	(31)
TOTAL COST AND EXPENSES	3,743,517	5,315,600	1,836,772	2,534,766
<b>OTHER INCOME:</b>				
Dividends and interest	1,346,292	1,237,878	670,276	616,355
Net gain on sale of property and equipment	-	20,500	-	20,500
Net gain on sale of securities	48,705	197,929	21,185	3,687
TOTAL OTHER INCOME	1,394,997	1,456,307	691,461	640,542
INCOME BEFORE INCOME TAXES	316,380	1,047,555	117,797	374,783
INCOME TAX PROVISION (BENEFIT)	(115,265)	177,183	(72,946)	(17,330)
MINORITY INTEREST, NET	82	(560)	(168)	(563)

**INCOME FROM  
CONTINUING**

<b>OPERATIONS</b>	431,727	869,812	190,575	391,550
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**DISCONTINUED OPERATIONS:**

Income (loss) from discontinued operations,

net of income taxes	-	38,086	-	-
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Gain on sale of discontinued operations, net

of income taxes of \$630,200	-	1,542,852	-	-
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**INCOME FROM  
DISCONTINUED**

<b>OPERATIONS</b>	-	1,580,938	-	-
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<b>NET INCOME</b>	\$ 431,727	2,450,750	190,575	391,550
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**DIVIDENDS DECLARED PER  
COMMON**

<b>SHARE</b>	\$ .10	.10	.05	.05
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**EARNINGS PER COMMON  
SHARE:**

Basic -

Continuing operations	\$ .44	.86	.19	.38
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Discontinued operations	-	1.57	-	-
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	\$ .44	2.43	.19	.38
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Diluted -

Continuing operations	\$ .44	.86	.19	.38
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Discontinued operations	-	1.57	-	-
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	\$ .44	2.43	.19	.38
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**AVERAGE SHARES  
OUTSTANDING:**

Basic -	981,972	1,006,663	980,256	1,006,707
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Diluted -	992,123	1,014,909	990,685	1,015,087
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The accompanying notes to consolidated financial statements are an integral part of these statements.

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**VULCAN INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	June 30, <u>2005</u>	June 30, <u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,632,759	5,186,507
Cash paid to suppliers and employees	(3,134,267)	(5,347,741)
Dividends and interest received	1,346,292	1,237,879
Income taxes paid	-	(22,046)
Interest paid	(53,342)	(26,022)
NET CASH FLOWS FROM OPERATING ACTIVITIES	791,442	1,028,577
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-	20,500
Proceeds from sale of securities	37,332	216,625
Purchases of property and equipment	(3,432,766)	(210,630)
Collections on notes receivable and other	-	67,717
Cash received from sale of joint venture	-	2,716,890
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,395,434)	2,811,102
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) under credit agreement	2,975,000	(3,892,000)
Purchase of common shares	(285,056)	-
Cash dividends paid	(98,121)	(100,671)
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,591,823	(3,992,671)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,169)</b>	<b>(152,992)</b>

**CASH AND CASH EQUIVALENTS AT  
BEGINNING**

<b>OF PERIOD</b>	1,118,621	1,503,349
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**CASH AND CASH EQUIVALENTS AT END  
OF PERIOD**

\$	1,106,452	1,350,357
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**RECONCILIATION OF NET INCOME TO  
NET CASH****FLOWS FROM OPERATING  
ACTIVITIES:**

Net income	\$ 431,727	2,450,750
Adjustment:		
Depreciation and amortization	206,179	170,176
Deferred income taxes	(224,282)	216,441
Equity in joint venture and minority interest	(82)	560
Net gain on sale of property	-	(2,193,552)
Net gain on sale of marketable securities	(48,705)	(197,929)
(Increase) in accounts receivable	(32,141)	(111,887)
(Increase) decrease in inventories	272,244	(7,246)
Increase in accounts payable, accrued expenses other assets	186,502	701,264

**NET CASH FLOW FROM  
OPERATING**

<b>ACTIVITIES</b>	\$ 791,442	1,028,577
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The accompanying notes to consolidated financial statements are an integral part of these statements.

**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**

The accompanying condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to reflect a fair presentation of financial position, results of operations and cash flows for the interim periods. All such adjustments are of a normal recurring nature.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MARKETABLE SECURITIES**

The Company's investments in marketable securities have been classified as available-for-sale securities and reported at their fair value as determined by quoted market prices. Management considers the securities classified as long term as not being held for sale. Securities are as follows:

	<u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
June 30, 2005				
Current	\$ 2,863,738	11,020,414	20,774	13,863,378
Long-term	3,288,803	55,481,716	-	58,770,519
	\$ 6,152,541	66,502,130	20,774	72,633,897

December 31, 2004

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Current	\$ 2,863,738	11,413,061	9,655	14,267,144
Long-term	3,288,803	59,106,699	-	62,395,502
	\$ 6,152,541	70,519,760	9,655	76,662,646

INVENTORIES

		June 30, 2005 (Unaudited)	December 31, 2004
Inventories consisted of:			
Finished goods	\$	65,303	114,846
Work in process		41,619	78,247
Raw materials		154,267	340,340
Total inventories	\$	261,189	533,433

**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

**(Continued)**

**EARNINGS PER COMMON SHARE**

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is adjusted for the dilutive effects of stock options. The diluted average number of common shares outstanding has been increased for the assumed exercise of stock options with proceeds used to purchase treasury shares at the average market price for the period. The computations were as follows for the six and three months ended

June 30:

	For the six months ended June 30,		For the three months ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Income from continuing				
operations	\$ 431,727	869,812	190,575	391,550
Income from discontinued				
operations, net of income tax	-	1,580,938	-	-
Net income	\$ 431,727	2,450,750	190,575	391,550
Weighted average number of				
shares outstanding used in the				
calculation of basic earnings per				
common share	981,972	1,006,663	980,256	1,006,707
Add - dilutive effect of stock				
options	10,151	8,246	10,429	8,380

Adjusted weighted average

number of shares outstanding

used in the calculation of

diluted earnings per common

share	992,123	1,014,909	990,685	1,015,087
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Basic earnings per common share:

Continuing operations	\$ .44	.86	.19	.38
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Discontinued operations	-	1.57	-	-
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	\$ .44	2.43	.19	.38
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Diluted earnings per common

share:

Continuing operations	\$ .44	.86	.19	.38
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Discontinued operations	-	1.57	-	-
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	\$ .44	2.43	.19	.38
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**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

**(Continued)**

**INCOME TAX**

The Company is classified as a Personal Holding Company ( PHC ) under Internal Revenue Service regulations. The Company has accrued approximately \$94,000 of PHC tax for the six months ended June 30, 2005. The income tax expense (benefits) in 2005 and 2004 differ from the statutory rates primarily due to the dividends received deduction.

**LEGAL MATTERS**

CCBA reached a settlement of its real estate tax assessment in May, 2004. CCBA had previously recorded a liability of approximately \$145,500 related to this issue based on the value asserted by the local school board. CCBA agreed to pay \$15,500 in connection with the settlement. The reversal of this liability resulted in recognition of approximately \$130,000 of income in 2004 and is reported as an offset to operating expenses in the condensed statement of income.

The Company is involved in other litigation matters and claims which are normal in the course of operations. Management believes that the resolution of these matters will not have a material effect on the Company's business or financial condition.

**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

(Continued)

COMPREHENSIVE INCOME

Total comprehensive income (loss) was as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net income	\$ 431,727	2,450,750	190,575	391,550
Other comprehensive income				
(loss):				
Net unrealized gain (loss) on				
marketable securities (net of				
tax benefits of \$1,369,774 for				
the six months ended June 30,				
2005 and net of taxes of				
\$761,968 for the three months				
ended June 30, 2005 and net				
of tax benefits of \$1,265,804				
and \$655,379 for the six and				
three months ended June 30,				
2004)	(2,658,973)	(2,457,148)	1,479,115	(1,272,206)

Less: reclassification

adjustment for gains

included in net income (net

of taxes of \$53,030 for the

six months ended June 30,

2004

-

(102,941)

-

-

Total comprehensive

income (loss)

\$ (2,227,246)

(109,339)

1,669,690

(880,656)

Accumulated other comprehensive income consists of unrealized holding gains, net of tax, on securities available for sale of \$43,877,696 at June 30, 2005 and \$46,536,669 at December 31, 2004.

#### DISCONTINUED OPERATIONS

Brunswick Bowling & Billiards Corporation purchased the Company's 50% interest in its Joint Venture for \$2,000,000 and also purchased the Company's bowling pin business for approximately \$720,000.

The Company recognized a gain on these transactions of approximately \$2,172,000 during the first quarter 2004. The gain has been reported as a gain on sale of discontinued operations in 2004, net of tax of approximately \$630,000.

**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

**(Continued)**

DISCONTINUED OPERATIONS (Continued)

Net sales and income from discontinued operations for the six months ended June 30, 2004 are as follows:

Net sales	\$ 391,546
Income before income taxes	\$ 53,686
Income tax expense	(15,600)
Net income	\$ 38,086

STOCK OPTIONS

Options to purchase not more than 50,000 shares of treasury stock, that were modified in 2003 to provide an exercise price of \$33.20 per share, were granted to the President of the Company in 2001 and will expire in 2008. The closing price of the stock at June 30, 2005 was \$49.30, resulting in additional compensation expense of \$107,500 related to these stock options in the six month period ended June 30, 2005 as compared to \$177,500 in 2004. No options were exercised under this grant in 2004 or 2005.

The Company applies APB No. 25 and related interpretations in accounting for stock options. Had compensation expense for the stock option been determined based on the fair value or modification dates in accordance with SFAS No. 123, the Company's net income and earnings per share would have been adjusted to the pro forma accounts as follows:



**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

(Continued)

STOCK OPTIONS (Continued)

	For the six months ended June 30,		For the three months Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net income, as reported	\$ 431,727	2,450,750	190,575	391,550
Add: Stock-option-based employee compensation expense included in income, net of related tax	70,950	117,150	62,700	89,100
Pro forma net income	\$ 502,677	2,567,900	253,275	480,650
Earnings per share:				
Basic and diluted as reported	\$ .44	2.43	.19	.38
Basic and diluted as pro forma	\$ .51	2.55	.26	.48

POSTRETIREMENT BENEFITS

The Company maintains a noncontributory defined benefit pension plan for certain eligible salaried and hourly employees. SFAS No. 132 (Revised), "Employees' Disclosure about Pension and Other Postretirement Benefits", requires the components of net periodic pension cost to be disclosed on an interim basis as follows:

Components of net period pension cost:

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	For the six months ended June 30,		For the three months Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Service cost	\$ 21,564	22,324	10,782
Interest cost	241,156	249,878	120,578	124,939
Expected return on plan assets	(446,044)	(434,968)	(223,022)	(217,484)
Amortization of net actuarial loss	67,302	72,306	33,651	36,153
Net period pension				
cost (benefit)	\$ (116,022)	(90,460)	(58,011)	(45,230)

**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

**(Continued)**

**POSTRETIREMENT BENEFITS** (Continued)

The Company previously disclosed in its financial statements for the year ended December 31, 2004 that it expected not to make any contribution to its pension plan over the year ending December 31, 2005. As of June 30, 2005, no contributions have been made and the Company anticipates that no contributions will be made during the rest of 2005.

**BUSINESS SEGMENT INFORMATION**

Reportable segments are as follows:

	For the six months ended June 30,		For the three months ended ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES FROM</b>				
<b>CONTINUING OPERATIONS</b>				
Rubber and Foam Products	\$ 2,135,017	4,473,829	1,027,928	2,068,734
Real Estate Operations -				
Commercial building	317,162	211,975	174,391	107,247
Timber sales	215,459	226,517	63,527	93,026
Intersegment net sales	(2,738)	(5,473)	(2,738)	-
<b>TOTAL REVENUES FROM</b>				
<b>CONTINUING OPERATIONS</b>	<b>\$ 2,664,900</b>	<b>4,906,848</b>	<b>1,263,108</b>	<b>2,269,007</b>



OPERATING PROFIT (LOSS)

FROM CONTINUING

OPERATIONS:

Rubber and Foam Products	\$ (558,491)	(55,649)	(232,653)	(51,629)
Real Estate Operations -				
Commercial building	(34,770)	21,919	(9,800)	22,016
Timber sales	166,690	173,489	35,221	58,915

**TOTAL OPERATING PROFIT**

**(LOSS) FROM CONTINUING**

<b>OPERATIONS</b>	(426,571)	139,759	(207,232)	29,302
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**VULCAN INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**UNAUDITED**

**(Continued)**

**BUSINESS SEGMENT INFORMATION** (Continued)

	For the six months ended June 30,		For the three months ended Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Interest expense	(69,837)	(25,268)	(35,660)	31
Other unallocated corporate				
income - net	812,870	932,504	360,521	344,887
Income tax benefit (provision)	115,265	(177,183)	72,946	17,330
<b>NET INCOME FROM</b>				
<b>CONTINUING OPERATIONS</b>	431,727	869,812	190,575	391,550
<b>DISCONTINUED OPERATIONS:</b>				
Gain on sale of discontinued				
operations, net of income taxes	-	1,542,852	-	-
Income (loss) from operations,				
net of income taxes	-	38,086	-	-
<b>NET INCOME</b>	\$ 431,727	2,450,750	190,575	391,550

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at June 30, 2005, and for the three and six month periods then ended have been reviewed, prior to filing, by the Registrant's independent accountants, J.D. Cloud & Co. L.L.P., whose report covering their review of the financial statements is included in this report.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors

Vulcan International Corporation

Wilmington, Delaware

We have reviewed the accompanying condensed consolidated balance sheet of Vulcan International Corporation and subsidiaries as of June 30, 2005, and the related condensed consolidated statements of income for the six-month and three-month periods ended June 30, 2005 and 2004 and condensed statements of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vulcan International Corporation and subsidiaries as of December 31, 2004 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 18, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed

consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ J.D. CLOUD & CO. L.L.P.

Certified Public Accountants

Cincinnati, Ohio

July 25, 2005

## PART I - FINANCIAL INFORMATION

(Continued)

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net sales of Rubber and Foam Products for the six months ended June 30, 2005, decreased \$2,336,077 or 52.3% over the corresponding period in 2004. Cost of sales and operating expenses decreased \$1,829,128 or 44.1% during the six months ended June 30, 2005 compared to the corresponding six month period in 2004. Net sales for the second quarter of 2005 decreased \$1,043,544 or 50.4%. Cost of sales and operating expenses decreased \$864,594 or 43.1% in the second quarter compared to the corresponding quarter in 2004. The changes for the six months and three months ended June 30, 2005 are entirely due to a drastic falloff of sales of uncured, custom-mix rubber to shoe manufacturers for use in military footwear, primarily as a result of reduced purchases by the U.S. Defense Department from such manufacturers. The reduction in sales in the Company's Rubber and Foam segment resulted in the increased loss of that segment. Management does not expect a change in this situation in 2005.

Revenue in the Commercial Real Estate Operations increased \$105,187 or 49.6% during the six months ended June 30, 2005 as compared to the corresponding six-month period in 2004. Revenue for the second quarter ended June 30, 2005 increased \$67,144 or 62.6% over the corresponding period in 2004. Operating expenses related to commercial real estate increased \$168,651 or 101.3% in the six months ended June 30, 2005 compared to the six month period in 2004. Operating expenses for the second quarter ended June 30, 2005 increased \$103,990 or 144.7% compared to the same period in 2004. The increases are associated with the purchase of the new building in January, 2005.

Timber sales were \$215,459 for the six months ended June 30, 2005 compared to \$226,517 for the same period in 2004. Timber sales for the three months ended June 30, 2005 were \$63,527 as compared to \$93,026 in 2004. Timber sales are related to selective harvesting of timber on undeveloped land owned by the Company. Changes in sales are related to demand for timber and weather conditions permitting the logging of timber.

General and administrative expenses increased \$43,825 or 4.5% in the six months ended June 30, 2005, as compared to the corresponding six-month period in 2004. General and administrative expenses for the second quarter of 2005 increased \$26,919 or 5.1% compared to the corresponding quarter in 2004. Compensation expense related to accruing

for estimated year end bonuses accounted for the increase in general and administrative expenses for the quarter and six months ended June 30, 2005.

Interest expense for the six months ended June 30, 2005 increased \$44,569. Interest expense for the three months ended June 30, 2005 increased \$35,691. The increases in interest expense are due to the borrowing for the purchase of the building in January, 2005.

Net gains on the sales of property, equipment and securities were \$48,705 for the six months ended June 30, 2005, as compared to \$218,429 for the corresponding period in 2004 due primarily to the sale of two securities from the Company's marketable securities portfolio in 2004. Gain on sale of property, equipment and securities for the second quarter of 2005 were \$21,185 as compared to \$24,187 for the same period in 2004.

## **PART I - FINANCIAL INFORMATION**

**(Continued)**

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the second quarter of 2005 were funded in part through earnings as well as from the sale of timber, equipment and marketable securities. The cash from these transactions was primarily used in operations. The Company expects to continue, when necessary, to use short-term borrowings to meet cash requirements not fully provided by earnings. There were approximately \$22,000 of commitments for capital expenditures as of June 30, 2005.

During the six months ended June 30, 2004, 2000 shares of treasury stock valued at \$81,000 were issued to the President as bonus compensation.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risks.**

#### MARKETABLE SECURITIES

The fair value of marketable securities has decreased \$1,901,448 from December 31, 2004 to July 22, 2005. At July 22, 2005 the fair value of marketable securities was \$74,761,198 as compared to \$72,633,897 at June 30, 2005.

The net unrealized holding gain at July 22, 2005 was approximately \$45,282,000, net of deferred taxes of approximately \$23,327,000. The Company is subject to the risk that the fair value securities could decline further.



**Item 4. Controls and Procedures**

a) Disclosure controls and procedures. The Chief Executive Officer and the Principal Financial Officer have carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures that are designed to ensure that information relating to the Company required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon this evaluation, these officers have concluded, that as of June 30, 2005, the Company's disclosure controls and procedures were effective.

b) Changes in internal control over financial reporting. During the period covered by this report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION****Item 1. Legal Proceedings** Not applicable**Item 2. Changes in Securities and Use of Proceeds -**

On May 11, 2005, the shareholders approved and ratified a Board Resolution authorizing the purchase of up to 100,000 shares of the Company's outstanding common stock at such times as the President may determine are in the best interest of the Company. The following table shows information relating to the repurchase of shares under this, and the previous, resolution:

	Total shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of that may yet be purchased under the plans or programs
May 2, 2005	5,000	\$47.151	5,000	70,000
May 11, 2005	-	-	-	100,000
June 17, 2005	1,000	\$49.300	1,000	99,000
	6,000		6,000	99,000

**Item 3. Defaults Upon Senior Securities - Not Applicable****Item 4. Submission of Matters to a Vote of Security Holders -**

The Annual Meeting of the shareholders of Vulcan International Corporation was held on May 11, 2005. The following matters were voted upon:

a.

The following members of the Board of Directors of Vulcan International Corporation were elected as directors by the votes indicated:

<u>Director</u>	<u>For</u>	<u>Against</u>
Leonard Aconsky	929,971	1,019
Benjamin Gettler	865,902	65,088
Thomas D. Gettler	874,027	56,963
Edward B. Kerin	925,971	5,019
Warren C. Falberg	925,971	5,019

b.

Approval and ratification of all purchases of Company stock by the Company since May 13, 2004, and approval and ratification of the action of the Board of Directors at its May 11, 2005 meeting authorizing the purchase of up to 100,000 shares of the Company at such times as the President may determine are in the best interest of the Company:

<u>For</u>	<u>Against</u>
930,990	None

**Item 5. Other Information - Not Applicable**

**PART II - OTHER INFORMATION**

**(Continued)**

**Item 6. Exhibits and Reports on Form 8-K.**

a . Exhibits

Exhibit 11 - Statement regarding computation of per share earnings is included in Part 1,

Item 1 of this Form 10Q, page 5.

Exhibit 31.1 - Rule 13a-14(a)/15d-14(a) Certification of Benjamin Gettler.

Exhibit 31.2 - Rule 13a-14(a)/15d-14(a) Certification of Vernon E. Bachman.

Exhibit 32 - Section 1350 Certifications

**PART II - OTHER INFORMATION**

**(Continued)**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VULCAN INTERNATIONAL CORPORATION

Date: July 28, 2005

By: /s/Benjamin Gettler

Benjamin Gettler

Chairman of the Board, President

and Chief Executive Officer

Date: July 28, 2005

By: /s/Vernon E. Bachman

Vernon E. Bachman

Vice President, Secretary-Treasurer

and Principal Accounting Officer

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